



First Resources Limited

Policy on Sustainable Palm Oil

Progress Report 3
-July to December 2016

Introduction

This report is our third progress update on the implementation of the policy since the launch of our [Policy on Sustainable Palm Oil](#) in July 2015.

In the last six months, our efforts continue to be focused on HCS verifications, HCV protection and engagement with external suppliers.

Socialisation of Policy

During the 2nd half of 2016, we continued to socialise our policy to our employees and stepped up on our engagement with external suppliers. We have conducted one-on-one as well as group meetings at our various locations to ensure that we effectively help external suppliers understand our policies and the importance of aligning their practices with ours. So far, we have received supportive as well constructive feedback from our suppliers.



High Carbon Stock (“HCS”) Forests

Since the launch of our policy, our sustainability workplan has been highly centered on our commitment of not developing on HCS forests, HCV and peat areas.

As updated previously, we have completed desktop HCS assessments for all our development land bank and have observed a self-imposed land clearing moratorium on all potential HCS areas since July 2015. For land bank with immediate development plans, we have sought third party expertise to verify the HCS assessments. These independent HCS assessors

review the desktop assessments and conduct additional ground truthing and patch analysis in accordance with the HCS Approach methodology. Out of the approximately 110,000 hectares of our existing development land bank, approximately 29,000 hectares, or 26% are currently identified as ‘No-Go Areas’. These are areas with potential HCS, HCV or peat content, and have therefore been carved out from the Group’s development plans, in adherence to our sustainability policy. This figure will be refined further as we continue with independent verifications, free prior and informed consent, as well as analysis of the expected revised HCS methodology.

The breakdown of our current development land bank and the identified ‘No-Go Areas’ are as follows:

	Development land bank (Ha)	“No-Go Areas” (Ha)
Riau	1,385	159
West Kalimantan	53,565	11,650
East Kalimantan	54,575	16,956
Total	109,525	28,765

Data presented are as at Nov 2016.

We are pleased that industry stakeholders has agreed to the convergence of the HCS+ (or HCS Science Study) and the HCS Approach to form a unified approach to conserve forest and peat areas. We will continue to keep ourselves abreast with this development, especially in the newly converged HCS methodology, to assess if there is any impact to our existing HCS assessments.



High Conservation Value (“HCV”) Areas

In September 2016, we started reforestation efforts at one of our HCV areas that have been damaged by fire in 2015 due to encroachment by local communities. We have sourced for plants such as Pulai (*Alstonia spp*), Balangeran (*Shorea Balangaran*) and Jelutung Rawa (*Dyera spp*) to be planted in the HCV area. To date, more than 4,500 trees have been planted in the HCV area, covering approximately 12 ha.



We will continue our reforestation efforts in the remaining affected area with a target to successfully reforest approximately 236 ha with plants species that will enrich the biodiversity in the HCV area.



Since the formation of a specialized HCV taskforce at one of our estates in West Kalimantan, we have been pleased with the results of the team's monitoring efforts. Starting in 1Q2017, we will form a similar taskforce at a separate location in West Kalimantan to conduct monitoring efforts aimed at detecting and managing the presence of wildlife and discouraging illegal activities such as logging, encroachment, and hunting in our HCS and HCV areas.



Peat

In 2016, the Indonesian government has established the Indonesian Peatland Restoration Agency ("BRG") to specifically look at ways to prevent fires in peatland and restore degraded peat areas.

As part of our peat management strategy, we intend to conduct more detailed peat assessment in our concession areas in 2017 and will observe closely the recommendations provided by the BRG and the Ministry of Environment and Forestry.



Greenhouse Gas ("GHG") Reduction

As part of our GHG reduction strategy, we have completed the construction of two methane capture plants during the reporting period. Apart from land use change, methane emissions from palm oil mill effluent ponds are the next biggest emitter of GHG in the production of palm oil. As of to date, the Group has a total of three methane capture facilities, all of which are located in the province of Riau.



We are mapping out our Group's GHG footprint by conducting GHG calculations for all our palm oil mills using the RSPO's palm GHG calculator. We will work on a more detailed GHG reduction strategy when we have our GHG calculations and will provide subsequent updates.

Supply Chain and Traceability

In the last six months, we continue to engage our stakeholders, in particular our external suppliers that supply us CPO for our refining operations. We have received supportive feedback from our suppliers and most of them have provided us information on their operations, including traceability information as requested by our sustainability team.

In 2016, approximately 90% of the fresh fruit bunches ("FFB") processed in our 13 mills were supplied from our plantations, inclusive of our plasma (schemed smallholders) plantations and are therefore fully traceable. The remaining FFB intakes are from third parties, namely independent growers including smallholders, small medium sized enterprises, and FFB aggregating traders.

Transparency and Grievances

As previously updated, we have improved our transparency and stakeholder communication by providing summarised clarifications to concerns or complaints on our operations, that have been made known to us either through media reports, stakeholders' feedback, the RSPO complaints mechanism or directly through our own grievance procedure. These case summaries and clarifications are available on the [Sustainability section](#) of our website.

During this reporting period, there were no formal grievances filed on our operations or those of our third party suppliers and associated companies. However, we did receive feedback from stakeholder Waxman Consulting (also known as Mighty) that their preliminary research has indicated a potential breach of our sustainability policy. We appreciate them sharing their findings and giving us an opportunity to investigate and provide clarifications, which we have since done. These clarifications have also been posted on our website for transparency purposes.

Buyers' Engagement

In the last six months, we have worked closely with two of our buyers who carried out mill verification visits at our operations. During these verification visits, our buyers were focused on checking our subsidiaries' legal compliance, environmental standards and policies, traceability of our FFB/CPO, labour practices including health and safety policies, grievances and whistle-blowing platform, plasma and community development programmes.



We are pleased that both assessments resulted in positive reports on our subsidiaries' performance in those areas. Reports of the site visits have also been shared with management, and where appropriate, recommendations for improvements were implemented accordingly.

Our sustainability team also found the visits insightful as we exchanged feedback and deepened our understanding on new sustainability developments such as traceability frameworks and supply chain audits.

Labour Issues and Concerns

Labour concerns highlighted by recent NGO reports are a risk to the Indonesian palm oil sector and remain an industry-wide challenge. To combat these issues effectively, engagement with various stakeholders and collective action by industry players are crucial. We believe that the current focus on these issues will help drive the palm oil industry as a whole towards higher labour standards.

Our employees are one of its most important assets and that the rights of all workers - permanent, contract, or casual, must be recognised and respected. We will engage stakeholders to further understand their concerns on these labour issues and review our current labour practices to identify any shortfalls.

Award

In December 2016, FR was given an award from the Indonesian Sustainable Palm Oil ("ISPO") for having the 3rd largest area of ISPO certification in Indonesia. We have a total of 76,690 hectares that are now ISPO certified.

